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FM AMEMBASSY SAN JOSE  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5186  
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE

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STATE PASS TO USTR FOR AMALITO

E.O. 12958: N/A  
TAGS: [PINR](#) [EAGR](#) [EIND](#) [PGOV](#) [CS](#)  
SUBJECT: ALFREDO VOLIO, MINISTER OF PRODUCTION

#### Summary

1. Alfredo Volio was appointed by President Arias to head a new Ministry of Production which is a combination of two traditional ministries, the Ministry of Agriculture (MAG) and the Ministry of Economy, Industry and Commerce (MEIC). Volio is a 46-year-old businessman who has worked in food trading and processing companies related to macadamia, dairy products, cattle raising, and citrus fruit. He has little previous government experience. His priority will be to manage the merger of the ministries into an efficient and functioning new combined ministry. End Summary.

#### Background

2. Prior to assuming his new position as Minister of Production, Volio worked as a manager of various food trading and processing companies with operations in Costa Rica and North America related to macadamia, dairy products, cattle raising, and citrus fruit. He was a director of numerous trade and producers' associations over the past decade. Volio also served as President and board member of the National Bank, the International Bank of Costa Rica (BICSA), and the National Stock Exchange. He has spoken at several international conferences related to the macadamia industry, international banking, and sustainable development.

3. Volio has a B.A. in business administration from the University of Costa Rica. He speaks fluent English. He is married with children, one of whom currently attends West Point. During initial contacts with the Country Team, Volio has been personable and has had a business-like attitude. He is known to the Embassy Agriculture Affairs staff due to his involvement several years ago in the macadamia nut industry and participation in the screwworm commission.

4. The new Ministry of Production will require legislation transferring powers to the new combined ministry. At this stage it is not clear whether the legislation will grant new authorities to the Ministry of Production beyond the existing authority granted to MAG and MEIC. Minister Volio is going to need every ounce of leadership and management skill he can muster as he seeks to merge functions and cultures of MAG and MEIC into a cohesive unit.

5. MAG, in particular, appears to be a ministry barely held together with duct tape. Major programs, e.g., animal and plant health surveillance and meat and poultry inspection, are funded in good part through a regional organization (OIRSA - Organismo Internacional Regional para la Salud Agropecuario) and a hodgepodge of trust funds derived from user fees. Strict budget ceilings and a lack of authority to charge user fees have given rise to a proliferation of

unusual financial arrangements, the staffing of programs outside of civil service parameters, and the failure to execute regulatory functions in full conformity with law and regulation. Serious questions have also been raised about MAG's program to regulate pesticides and the alleged failure of the ministry to remove dangerous chemicals from the market and to obtain required safety data from chemical manufacturers.

¶6. Costa Rica's financial watchdog agency, the Contraloria appears to have MAG's failings and lack of transparency and oversight on their radar screen. This presents an immediate challenge for the new minister to eliminate irregularities and impose adequate controls. In the waning days of the Pacheco Administration, the Contraloria pushed hard for MAG to bring programs and administrative procedures into compliance with the law. The Contraloria even went so far as to force the trust fund administrator for the Phytosanitary Service, the agency responsible for the inspection and certification of all plant product imports and exports, to send dismissal letters to its employees. Had the Contraloria not granted MAG an extension until August 2006, the suspension of plant health inspections would have jeopardized Costa Rican food exports and imports.

¶6. COMMENT: At a recent breakfast meeting with Embassy staff, Minister Volio described the differences he noted on the first day between the two ministries he is now trying to combine. He said he arrived at MEIC to find his desk well organized, computer and telephones working, and briefing memos ready for his review. Quite the opposite scene greeted him at MAG where no one had bothered to clean out his desk, which he found full of papers and old files as if his predecessor had simply left for the day. There was no computer, and he still didn't know his own telephone number a week after being sworn in. He said he could see he had his work cut out. Minister Volio is one of President Arias's closest confidants. The embassy finds him to be a person who is eager to learn and is interested in working with the U.S. END COMMENT